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Investment and Economic Analysis
Industry, Tourism and Investment

NWT Economic Trends

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Employment Rate Declining for the NWT

Source: ITI

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The employment rate for the Northwest Territories has decreased rapidly from the summer of 2005. In August, the employment rate for the territory stood at 74.8 percent but by December, the rate had decreased to 70.9 percent. This is a result of two factors. First, since August, there has been a decrease in the number of people employed in the territory. Second, during this period, the labour force expanded as there was an increase in the number of people who are at least 15 years of age or older in the NWT.

As shown in Table One below, the number of people employed in the territory dropped from 23,500 in August to 22,400 in December; a rate of decline of 4.7 percent for the period. The number of people in the territory that were 15 years of age or older increased from 31,400 to 31,600.

The employment rate in the NWT tends to increase in the spring and peak in the summer, and begins to decline in the fall and hits its low point in the winter. This is a result of the seasonal employment opportunities that become available in the summer such as those in the construction sector, highway maintenance and forest fire fighting activities.

When the employment rate from December 2005 is compared to that of 2004, the employment rate experienced a slight decline. In December 2004, the employment rate was 71.5 percent and as stated, the rate for December 2005 was 70.9 percent. Although the number of people employed in the territory increased by 300, as shown below, the number of people that were 15 years of age or older increased by 700, resulting in the decline in the employment rate of 0.6 percent for the year.

Table One: NWT Labour Force Activity, December 2005

	Population 15 & Over	Labour Force	Employed	Unemployed	Not in the Labour Force	Praticipation Rate	Unemployment Rate	Employment Rate
Dec-05	31,600	23,600	22,400	1,200	8,000	74.7	5.1	70.9
Nov-05	31,600	23,500	22,300	1,200	8,100	74.4	5.1	70.6
Oct-05	31,600	24,000	22,800	1,200	7,500	75.9	5.0	72.2
Sep-05	31,500	24,500	23,100	1,400	7,000	77.8	5.7	73.3
Aug-05	31,400	24,900	23,500	1,400	6,600	79.3	5.6	74.8
Previous Years								
Dec-04	30,900	23,400	22,100	1,400	7,500	75.7	6.0	71.5
Dec-03	30,300	22,700	21,100	1,600	7,600	74.9	7.0	69.6
Dec-02	29,600	22,500	21,300	1,300	7,100	76.0	5.8	72.0
Dec-01	29,000	22,100	20,100	20,000	6,900	76.2	9.0	69.3

Source: NWT Bureau of Statistics - NWT Labour Force Activity, December 2005

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Employment Rate Declining for the NWT (con't)

Just as the employment rate for the NWT is cyclical, the case is the same when analyzing the employment rate for Yellowknife. As shown in Table Two below, the employment rate for Yellowknife peaked in the month of August and steadily declined until December. The employment rate in August was 85.1 percent and by December it had declined to 81.8 percent.

"Other Communities," as shown in the table below, also experienced high employment rates in the summer and lows in the winter. However, when Yellowknife is compared to all the other communities within the NWT, the employment rate for Yellowknife is on average approximately 20 percent higher.

For December 2005, the employment rate in the communities outside of Yellowknife was 61.3 percent, a drop from August when the employment rate was at its peak for the year at 65.7 percent.

Another characteristic that is apparent when analyzing Table Two, is that the employment rate among the Aboriginal population in the NWT is considerably lower than their Non-Aboriginal counterparts. The employment rate for the Aboriginal population in August was 58.6 percent. It than gradually declined to 53 percent in December.

Table Two: NWT Employment Rates, by Selected Characteristics

	Dec-05	Nov-05	Oct-05	Sep-05	Aug-05	Jul-05
Northwest Territories	70.9	70.6	72.2	73.3	74.8	73.2
15-24 Yrs.	50.7	47.1	50.7	56.5	59.4	58.8
25 Yrs. & Over	76.9	77.2	78.5	78.0	78.5	77.2
Males	72.7	72.1	73.9	75.8	77.4	74.4
Females	68.9	68.9	70.2	70.7	72.0	72.0
Aboriginal	53.0	54.9	57.1	58.6	58.6	
Non-Aboriginal	84.6	83.1	84.7	85.2	86.3	83.3
Yellowknife	81.8	82.6	83.2	84.0	85.1	82.9
Other Communities	61.3	59.9	62.3	63.6	65.7	64.2
Canada	62.5	62.8	63.0	62.8	63.8	64.0
15-24 Yrs.	56.9	56.9	56.5	55.7	65.4	66.3
25 Yrs. & Over	63.6	63.9	64.3	64.2	63.5	63.6
Males	67.2	67.7	68.4	68.3	69.9	70.0
Females	57.9	58.0	57.8	57.5	58.0	58.2

Source: NWT Bureau of Statistics - NWT Labour Force Activity, December 2005

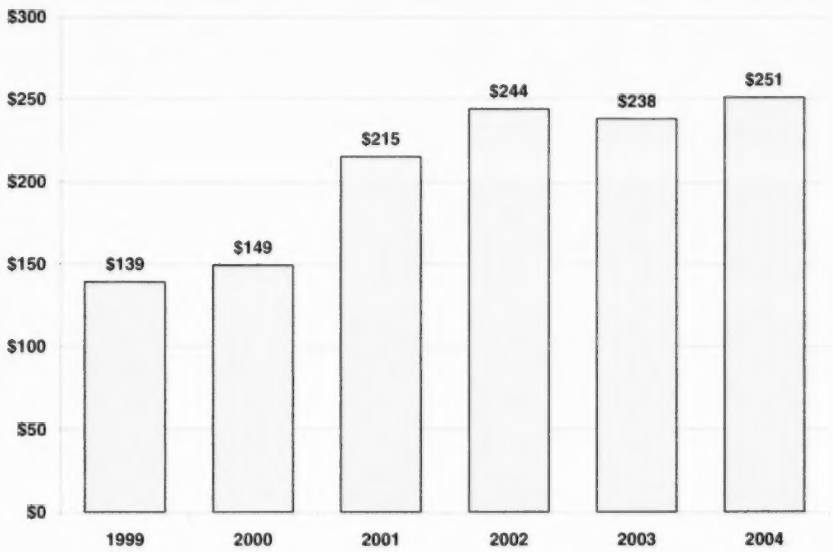
Employment Income Earned by Non-Residents Increasing

Chart One compares domestic-basis labour income to estimates of labour income for the Northwest Territories on a national basis. The national-basis of accounting for labour income takes into consideration only the activities of residents of the NWT, but regardless of where their activity takes place – i.e., either within or outside the NWT. The domestic based accounting for labour income includes all labour income earned in the NWT, whether by residents or nonresidents. Since relatively few residents work outside the NWT, the difference between these two numbers represents the approximate lost value in wages to transient workers. As highlighted in Chart One, this has remained above $200 million since 2001. Current payments to nonresident workers represent almost 20% of all wages and salaries paid in the NWT.

The large increase during 2001 was associated with Diavik mine construction, and to a lesser extent oil and gas exploration and development activities. While an increase during mine construction was expected, we expected to see an increase in use of resident labour during mine operations. However, this has not happened.

Overall, the use of imported labour represents a significant loss to the economy, both in terms of wage opportunities and secondary benefits. It will be interesting to monitor activity during 2005, when a number of NWT mines instituted direct flights to and from southern Canada.

Chart One: Value of Wages Paid to Non-resident Workers in the NWT, 1999-2004 (In millions of $'s)



Source: NWT Bureau of Statistics - Series V1408014 and V1407346

Increases in Rent for All Apartment Sizes

Based on results obtained from the Canadian Mortgage and Housing Corporation (CMHC), rental fees charged on all sizes of apartments for Yellowknife have been increasing consistently since 1998. Highlighted in Chart Two, the percentage increases in rent for the various sizes of apartments varied from a low of 14% to a high of 30.6%. The three-plus bedroom apartments experienced the smallest percentage increase for the period, increasing from $1,233 in 1998 to $1,406 in 2005. The bachelor sized apartments, on average, experienced the largest increase in rent, increasing from $643 in 1998 and increasing to $840 in 2005.

After relative stability in the 1990's, rents have increased considerably in Yellowknife for the period. The increases that renters in Yellowknife have been experiencing coincide with the resurgence in the mining industry in the NWT and the start of diamond mining. These increases in rents have been the result of two factors: an increase in the demand for affordable housing, and to a lesser extent, an increase in the cost of fuel.

The first reason for rent increases is the lack of affordable housing available in Yellowknife. This has forced many people to look for other housing alternatives; most notably, renting apartments or moving in with roommates. Due to this high demand for housing, the prices for houses in the city have in some cases doubled since the late 1990's.

The second reason for the increase in rent has to do with rising fuel prices over the last two years. Heating costs are usually the responsibility of the property owner. To justify the raises in rent over the years, landlords have stressed that they are due to the increases in fuel prices. In addition, some landlords have been able to raise rents simply because the market will bear it.

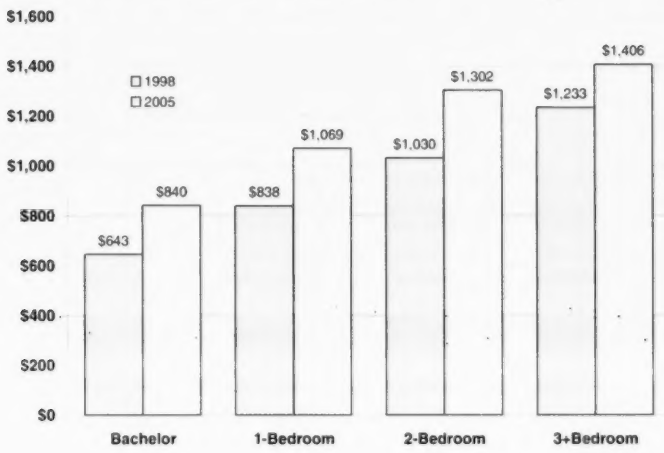
Due to the increases in rent and a lack of affordable housing in Yellowknife, the vacancy rate for the rental market in Yellowknife hit a low of 0.3% in 2002. This low vacancy rate lead to an increase in both single starts and multiple start-ups. Single starts are single family dwellings and multiple starts are classified as row-housing and apartment buildings.

In 1999, there were 15 single starts but no multiple starts. By 2003, as shown in Chart Three on the opposite page, the level of starts peaked at 104 single starts and 253 multiple starts. These starts contributed to an increase in the apartment vacancy rate from 0.3% in 2002 to 3.0% by 2004.

Source: Adobe; Home Construction

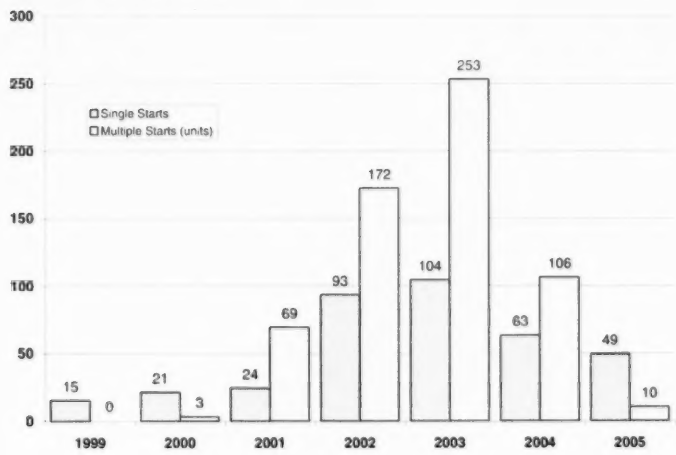
Increases in Rent for All Apartment Sizes (con't)

Chart Two - Apartment Rent by Size of Apartment



Source: CMHC - Yellowknife Office

Chart Three - Start-ups 1999-2005; Single Start-ups and Multiple Start-ups



Source: CMHC - Yellowknife Office

NWT Fuel Prices, February 2006

The Department of Industry, Tourism and Investment has initiated a monthly fuel price survey in four regional centres to monitor the movements in fuel prices. The survey was initiated because prices for petroleum fuel and fuel wood products outside of Yellowknife and the communities supplied with fuel by the GNWT are not captured by any existing survey or agency.

The results for February are shown in table three below. This survey will continue over the next couple of months, and results will also be published in a newsletter focusing entirely on energy and titled "Energy Facts and Trends." The newsletter can be found at the following website: www.iti.gov.nt.ca/energy/index.htm.

In February, Hay River experienced the lowest prices for all types of fuel excluding natural gas, which is not available in the community. The price of gasoline in Hay River was 97.9 cents per litre compared to a high of 121.0 cents per litre for Inuvik.

When it came to diesel prices, Hay River again had the lowest price out of the four communities at 101.0 cents per litre. Yellowknife experienced the highest price of the four communities at 123.9 cents per litre.

When it came to propane, only two of the communties offer it for sale: Hay River and Yellowknife. Hay River again experienced the lowest price when compared to its counterpart at 54.8 cents per litre compared to 74.9 cents per litre when compared to Yellowknife.

As was the case with propane, only two of the four communities represented in the table below offer natural gas to community members; Inuvik and Norman Wells. Norman Wells offers natural gas to its residents at a cost of $15.86 per gigajoule. This compared to a rate of $17.65 per gigajoule in Inuvik or at a price that was 11% higher than in Norman Wells.

The price of heating fuel in the four communities ranged from a low in Hay River with a rate of 81.3 cents per litre to a high in Inuvik with a rate of 91.2 cents per litre; only marginally larger than Norman Wells which had a rate of 91.0 cents per litre.

Table Three - Various Fuel Prices by Community

	Gasoline Cents/Litre	Diesel Cents/Litre	Propane Cents/Litre	Natural Gas $/Gigajoule	Heating Fuel Cents/Litre	Wood Fuel $/Cord
Yellowknife	108.9	123.9	74.9	n/a	84.5	$275
Hay River	97.9	101.0	54.8	n/a	81.3	$160
Norman Wells	112.9	117.9	n/a	15.86	91.0	n/a
Inuvik	121.0	116.0	n/a	17.65	91.2	$400

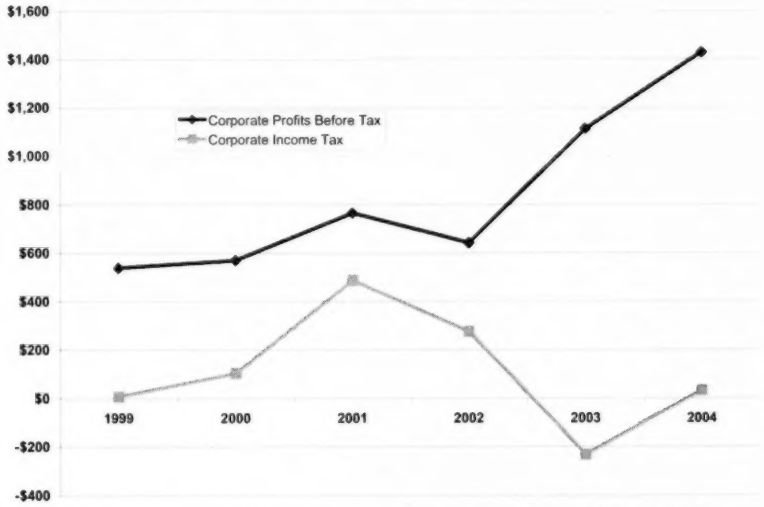
Source: Department of Industry, Tourism and Investment

Corporate Profits and Government Revenues in the NWT

The NWT has been Canada's fastest growing economy for a number of years. The key driver for this growth was the exploration boom and the subsequent billion dollar investments in the Ekati and Diavik Diamond Mines. As shown in Chart 5 below, corporate profits before taxes have almost tripled since 1999 to over $1.5 billion in 2004. In fact, for 2004, corporate profits comprised 34% of GDP in the NWT which compares with the Canadian average of 14%. In the NWT, labour income is roughly equal to corporate profits, whereas in Canada as a whole, labour income is 3:7 times greater than corporate profits.

The chart below shows that GNWT revenues have been quite stable since 1999. However, corporate taxes have been cyclical; peaking in 2001 at $486 million and then declining through 2003. The reduction happened when the GNWT corporate tax rate was increased and became uncompetitive relative to neighboring provinces resulting in corporations filing their income taxes outside the GNWT to avoid the higher tax rate. The shortfall was largely made up by an increase in the annual grant from the federal government. In the most recent budget the corporate tax rate was reduced from 14% to 11.5%, which is approximately equal to the rate in neighboring jurisdictions.

Chart Five - Corporate Profits and Income Tax



Source: GNWT, 2004-2005 Main Estimates

Exploration and Deposit Appraisal Expenditures

Mineral exploration and deposit appraisal expenditures for Canada are expected to increase for 2006 over 2005. Expenditures were $1,298.6 million in 2005 and spending intentions for companies are projected to increase to $1,419.6 million, which would represent an increase of 9.3% for the year.

Expenditures for 2006 are anticipated to be approximately $128.7 million in the Northwest Territories, a sharp increase from the 2005 level of $93.1 million and a growth rate of 38.2%. This level of investment ranks the Northwest Territories in sixth place when compared to the other provinces and territories in Canada.

Ontario, Quebec, BC, Nunavut and Saskatchewan are all projected to have higher exploration and deposit appraisal expenditures than the NWT in 2006. This resurgence in expenditures can be attributed to the increase in commodity prices over the last year. These higher prices have lead to a renewed interest in minerals, most notably in gold where the price has returned to levels not attained since 1990 and 1991.

Table Three - Exploration and Deposit Appraisal Expenditures, By Province and Territiry, 2002-2006

Province/Territory	2002		2003		2004		2005 a		2006 b	
	millions $'s	%	millions $'s	%	millions $'s	%	millions $'s	%	millions $'s	%
NFLD	28	5.5%	23	3.4%	33	2.8%	45	3.5%	51	3.6%
NS	3	0.5%	6	0.9%	9	0.8%	8	0.6%	23	1.6%
NB	10	1.9%	3	0.4%	13	1.1%	12	0.9%	15	1.1%
PQ	103	20.1%	134	19.5%	227	19.3%	209	16.1%	234	16.5%
ON	114	22.2%	219	31.9%	307	26.1%	321	24.7%	340	23.9%
MB	29	5.6%	27	4.0%	36	3.1%	43	3.3%	49	3.4%
SK	38	7.3%	48	6.9%	72	6.1%	129	9.9%	161	11.4%
AB	5	0.9%	5	0.7%	6	0.5%	5	0.4%	6	0.4%
BC	29	5.7%	63	9.1%	152	12.9%	212	16.3%	185	13.1%
YT	8	1.5%	13	1.8%	22	1.9%	49	3.8%	53	3.7%
NT	87	16.9%	54	7.8%	112	9.5%	93	7.2%	129	9.1%
NU	61	12.0%	93	13.5%	188	15.9%	170	13.1%	173	12.2%
		100.0%		100.0%		100.0%		100.0%		100.0%
Total	512.7		686.8		1177.7		1298.6		1419.6	

Source: Natural Resources Canada; Survey of Mineral Exploration, Deposit Appraisal and Mine Complex Development Expenditures

a - Preliminary Estimates; b - Company Spending Intentions

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